# PIXLEY KA SEME DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS

for the year ended

## 30 June 2011

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 54, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

**M N Jack**
**Municipal Manager**

*2011/08/30
**Date**

# PIXLEY KA SEME DISTRICT MUNICIPALITY

**INDEX**


General Information……

Statement of Financial Position……

Statement of Financial Performance……

Statement of Changes in Net Assets……

Cash Flow Statement……

Accounting Policies……

Notes to the Annual Financial Statements……

Appendix A : Schedule of External Loans……

Appendix B : Analysis of Property, Plant and Equipment……

Appendix C : Segmental Analysis of Property, Plant and Equipment……

Appendix D : Segmental Statement of Financial Performance……

Appendix E(1) : Actual versus Budget (Revenue and Expenditure)……

Appendix E(2) : Actual versus Budget (Acquisition of Property, Plant and Equipment)……

Statement of Financial Position : Roadworks……

Statement of Financial Performance : Roadworks……

Notes to the Annual Financial Statements : Roadworks……

Certificate of inventory and assets……

**PAGE**

1 - 3

4

5

6

7

8 - 28

29 - 56

57

58

59

60

61

62

63

64

65

66

# PIXLEY KA SEME DISTRICT MUNICIPALITY

## GENERAL INFORMATION

### GRADING

Grade 4 - Category C Municipality

### DOMICILE AND LEGAL FORM


- **Head Office** Culvert Road, DE AAR, 7000 | Private Bag X1012, DE AAR, 7000 | Tel: 053-6310891, Fax: 053-6312529


- The Municipality is a category C Municipality [Municipal Structures Act, 1998, Act 117 of 1998, Section 10(b) with an mayoral executive system.
- The Municipality was establish in 2000 by the MEC for Lical Government in the Northern Cape in terms of Section 12 of the Municipal Structures Act, 1998, Act 117 of 1998
- The MEC published in the Northern Cape Provincial Gazette the establishment of the Municipality.

### OPERATIONS AND ACTIVITIES

- The Municipality is a Local Government institution and its operations and activities is that of a district municipality as set out in Chapter 5 (Sections 83-89) of the Municipal Structures Act, 1998, Act 117 of 1998.
- Schedules 4B and 5B of the Constitution also rules the powers and functions of municipalities.

### RELEVANT LEGISLATION

- Constitution
- Municipal Structures Act (Act no 117 0f 1998)
- Municipal Systems Act (Act no 32 of 2000)
- Municipal Finance Management Act (Act no 56 of 2003)
- Division of Revenue Act
- The Income Tax Act
- Value Added Tax Act
- Basic Conditions of Employment Act (Act no 75 of 1997)
- Skills Development Levies Act (Act no 9 of 1999)
- Employment Equity Act (Act no 55 of 1998)
- Supply Chain Management Regulations, 2005
- Labour Relations Act

- Health and Safety Act
- Preferential Procurement Act
- Environmental Law
- Etc.

**AUDITORS**

The Office of the Auditor-General
Private Bag X5013
KIMBERLEY

**BANKERS**

ABSA Bank — *Type of Account:* *Current Account*
DE AAR — *Account Number:* *1850000197*

**COUNCILLORS**

- **Executive Mayor**

| Before 18 May 2011 | After 18 May 2011 | |
|---|---|---|
| Councillor J Z Lolwana | Councillor J Z Lolwana | ANC |

- **Speaker**

| | | |
|---|---|---|
| Councillor M T Kibi | Councillor M T Kibi | ANC |

- **Members of the Mayoral Committee**

| | | | | |
|---|---|---|---|---|
| Councillor J Z Lolwana | (Chairperson) | Councillor J Z Lolwana | (Chairperson) | ANC |
| Councillor K A Jola | | Councillor M T Kibi | | ANC |
| Councillor M T Kibi | | Councillor U R Itumeleng | | ANC |
| Councillor S D Eloff | | Councillor T A Sintu | | ANC |
| Councillor K E Mooi | | Councillor K J Arens | | ANC |
| Councillor B Mpamba | | | | |

- **Ordinary Council Members**

| Before 18 May 2011 | After 18 May 2011 | |
|---|---|---|
| Councillor J Grobbelaar | Councillor M E Bitterbos | ANC |
| Councillor M Hoffman | Councillor W J Du Plessis | DA |
| Councillor P Tshangela | Councillor A Fritz | ANC |
| Councillor L Valacia | Councillor J H George | ANC |
| Councillor E Le Fleur | Councillor J Grobbelaar | DA |
| Councillor A R Matthee | Councillor D P Jason | ANC |
| Councillor G Ngxazana | Councillor A Kywe | ANC |
| Councillor L Olifant | Councillor G L Nkumbi | ANC |
| Councillor S T Sthonga | Councillor E L Schütz | COPE |
| Councillor N I Titus | Councillor N S Thomas | ANC |
| | Councillor L C Van Niekerk | COPE |
| | Councillor F M Van Wyk | ANC |
| | Councillor G A White | DA |

**MUNICIPAL MANAGER**

Mr. M N Jack

**CHIEF FINANCIAL OFFICER**

Mr. B F James

**AUDIT MANAGER**

Before 31 December 2010
Mr C J B Müller

**ACTING AUDIT MANAGER**

After 31 December 2010
Me R A Sors

# PIXLEY KA SEME DISTRICT MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

| | Note | 2011<br>R | 2010<br>R |
|---|---|---|---|
| **NET ASSETS AND LIABILITIES** | | | |
| **Net Assets** | | **(2,005,967.86)** | **855,654.70** |
| Government Grant Reserve | | - | - |
| Capital Replacement Reserve | | 1,012,086.26 | 1,206,905.80 |
| Revaluation of Fixed Assets | | - | - |
| Accumulated Surplus/(Accumulated Deficit) | | (3,018,054.12) | (351,251.10) |
| **Non-current liabilities** | | **21,612,509.13** | **21,497,441.45** |
| Borrowings | 1 | 4,097,420.13 | 4,899,845.45 |
| Non-Current Employee Benefits | 2 | 17,515,089.00 | 16,597,596.00 |
| **Current liabilities** | | **8,872,735.12** | **19,069,936.12** |
| Employee Benefits | 3 | 2,412,965.58 | 1,934,377.05 |
| Trade Payables | 4 | 1,472,124.55 | 2,431,776.67 |
| Unspent conditional grants and receipts | 5 | 3,481,817.50 | 12,790,989.80 |
| Taxes | 6 | - | - |
| Cash and Cash Equivalents | 12 | - | - |
| Current portion of long-term borrowings | 1 | 1,505,827.49 | 1,912,792.60 |
| **Total Net Assets and Liabilities** | | **28,479,276.39** | **41,423,032.27** |
| **ASSETS** | | | |
| **Non-current assets** | | **18,461,432.89** | **20,114,826.73** |
| Property, plant and equipment | 7 | 17,829,299.86 | 19,419,712.12 |
| Investment Property | 8 | 328,361.03 | 339,298.41 |
| Intangible Assets | 9 | 303,772.00 | 355,816.20 |
| **Current assets** | | **10,017,843.50** | **21,308,205.54** |
| Trade Receivables from Exchange Transactions | 10 | - | - |
| Trade Receivables from Non-Exchange Transactions | 11 | 466,953.23 | 864,408.67 |
| Taxes | 6 | 63,909.38 | 1,653,791.12 |
| Cash and Cash Equivalents | 12 | 9,486,980.89 | 18,790,005.75 |
| **Total Assets** | | **28,479,276.39** | **41,423,032.27** |

# PIXLEY KA SEME DISTRICT MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE
## FOR THE YEAR ENDED 30th JUNE 2011

| Budget 2010 R | Budget 2011 R | | Note | Actu 2011 R |
|---|---|---|---|---|
| | | **REVENUE** | | |
| 10,000 | 22,000 | Regional Services Levies (Interest Received) | | 472.64 |
| 140,000 | 143,000 | Rental of facilities and equipment | | 143,473.68 |
| 760,000 | 605,110 | Interest earned | | 770,477.13 |
| 69,936,210 | 72,065,750 | Government grants and subsidies | 13 | 39,083,128.72 |
| 6,812,600 | 9,838,752 | Other income | 14 | 4,888,572.99 |
| **77,658,810** | **82,674,612** | **Total Revenue** | | **44,886,125.16** |
| | | **EXPENDITURE** | | |
| 19,530,110 | 21,020,500 | Employee related costs | 15 | 20,786,950.60 |
| 3,115,000 | 3,590,000 | Remuneration of Councillors | 16 | 2,809,782.35 |
| - | - | Bad Debts written off | | - |
| - | - | Provision for Leave and Bad Debts | | 158,285.49 |
| 2,000,000 | - | Depreciation and Amortisation | | 1,546,363.35 |
| 1,074,200 | 669,000 | Repairs and maintenance | | 499,248.65 |
| 1,690,000 | 1,590,000 | Contracted Services | | 1,427,706.21 |
| 300,000 | 1,100,000 | National Youth Advisory Centre | | 6,506.25 |
| 2,140,000 | 570,000 | Interest paid | 17 | 2,064,699.57 |
| 23,106,600 | 9,427,650 | Grants and subsidies paid | 18 | 8,658,626.45 |
| 10,099,800 | 10,250,252 | General expenses | 19 | 8,830,434.18 |
| **63,055,710** | **48,217,402** | **Total Expenditure** | | **46,788,603.10** |
| **14,603,100** | **34,457,210** | **Operating Surplus/(Deficit) for the year** | | **(1,902,477.94)** |
| - | - | Loss on disposal of Property, Plant and Equipment | | (268,490.63) |
| - | - | Gain on disposal of Property, Plant and Equipment | | 22,118.69 |
| **14,603,100** | **34,457,210** | **NET SURPLUS/(DEFICIT) FOR THE YEAR** | | **(2,148,849.88)** |

| ıal<br>2010<br>R |
|---|
| 7,574.97 |
| 140,620.64 |
| 962,268.05 |
| 47,851,153.62 |
| 3,933,315.24 |
| **52,894,932.52** |
| 19,170,650.10 |
| 3,024,569.22 |
| 1,491,165.98 |
| 171,527.47 |
| 1,710,450.12 |
| 707,359.06 |
| 495,578.38 |
| 177,696.37 |
| 2,373,255.05 |
| 19,986,895.51 |
| 9,131,073.45 |
| **58,440,220.71** |
| **(5,545,288.19)** |
| - |
| - |
| **(5,545,288.19)** |

# PIXLEY KA SEME DISTRICT MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

| | Capital Replacement Reserve | Accumulated Surplus/ (Deficit) | Total |
|---|---|---|---|
| | R | R | R |
| **2010** | | | |
| Balance at 1 July 2009 | 1,076,338.75 | (2,504,075.61) | (1,427,736.86) |
| Surplus/(deficit) for the year | - | (5,261,994.42) | (5,261,994.42) |
| Appropriations for the year | - | 1,858,280.73 | 1,858,280.73 |
| Revaluation of Land & Buildings | - | - | - |
| Interest received | 47,119.05 | - | 47,119.05 |
| Property, Plant and Equipment purchased | - | - | - |
| Capital grants used to purchase PPE | - | - | - |
| Donated/contributed PPE | 83,448.00 | - | 83,448.00 |
| Asset disposals | - | - | - |
| Correction of error (Note 20) | | 5,544,686.83 | 5,544,686.83 |
| Offsetting of depreciation | - | 11,851.37 | 11,851.37 |
| **Balance at 30 June 2010** | **1,206,905.80** | **(351,251.10)** | **855,654.70** |
| **2011** | | | |
| **Restated balance** | 1,206,905.80 | (351,251.10) | 855,654.70 |
| Surplus/(defecit) for the year | - | (2,148,849.88) | (2,148,849.88) |
| Appropriations for the year | - | 289,662.83 | 289,662.83 |
| Revaluation of Land & Buildings | - | - | - |
| Interest received | 37,440.46 | - | 37,440.46 |
| Property, Plant and Equipment purchased | (337,650.00) | (807,615.97) | (1,145,265.97) |
| Capital grants used to purchase PPE | - | - | - |
| Donated/contributed PPE | 105,390.00 | - | 105,390.00 |
| Asset disposals | - | - | - |
| Offsetting of depreciation | - | - | - |
| **Balance at 30 June 2011** | **1,012,086.26** | **(3,018,054.12)** | **(2,005,967.86)** |

# PIXLEY KA SEME DISTRICT MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

| | Note | 2011<br>R | 2010<br>R |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Receipts | | 67,460,470.89 | 73,743,405.64 |
| Payments | | 77,589,059.11 | 73,910,541.79 |
| Cash generated from/(utilised in) operations | 21 | (10,128,588.22) | (167,136.15) |
| Interest received | | 770,477.13 | 962,268.05 |
| Interest paid | | (617,449.57) | (2,373,255.05) |
| **NET CASH FROM OPERATING ACTIVITIES** | | **(9,975,560.66)** | **(1,578,123.15)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | 2,103,878.00 | (1,182,783.43) |
| Proceeds on disposal of property, plant and equipment | | (22,118.69) | |
| Increase/(decrease) in statutory funds | | (199,833.08) | 118,715.68 |
| Increase/(decrease) in non current receivables | | - | 1,772,369.49 |
| **NET CASH FROM INVESTING ACTIVITIES** | | **1,881,926.23** | **708,301.74** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of borrowings | | (1,209,390.43) | (1,628,977.54) |
| **NET CASH FROM FINANCING ACTIVITIES** | | **(1,209,390.43)** | **(1,628,977.54)** |
| **TOTAL CASH FROM ACTIVITIES** | | **(9,303,024.86)** | **(2,498,798.95)** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(9,303,024.86)** | **(2,498,798.95)** |
| Cash and cash equivalents at the beginning of the year | | **18,790,005.75** | **21,288,804.70** |
| Cash and cash equivalents at the end of the year | 22 | **9,486,980.89** | **18,790,005.75** |

## 1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 “Determining the GRAP Reporting Framework”, issued by the Accounting Standards Board.

The standards are summarized as follows:

| | |
|---|---|
| **GRAP 1** | Presentation of Financial Statements |
| **GRAP 2** | Cash Flow Statements |
| **GRAP 3** | Accounting Policies, Changes in Accounting Estimates and Errors |
| **GRAP 4** | The Effects of changes in Foreign Exchange Rates |
| **GRAP 5** | Borrowing Costs |
| **GRAP 6** | Consolidated and Separate Financial Statements |
| **GRAP 7** | Investment in Associate |
| **GRAP 8** | Investments in Associate |
| **GRAP 9** | Revenue from Exchange Transactions |
| **GRAP 10** | Financial Reporting in Hyperinflationary Economics |
| **GRAP 11** | Construction Contracts |
| **GRAP 12** | Inventories |
| **GRAP 13** | Leases |
| **GRAP 14** | Events after the reporting date |
| **GRAP 16** | Investment Property |
| **GRAP 17** | Property, Plant and Equipment |
| **GRAP 19** | Provisions, Contingent Liabilities and Contingent Assets |
| **GRAP 21** | Impairment of Non-cash-generating Assets |
| **GRAP 23** | Revenue from non-cash-generating Transactions (Taxes and Transfers) |
| **GRAP 24** | Presentation of Budget Information in Financial Statements |
| **GRAP 26** | Impairment of Cash-generating Assets |
| **GRAP 100** | Non-Current Assets Held for Sale and Discontinued Operations |
| **GRAP 101** | Agricultural |

| | |
|---|---|
| **GRAP 102** | Intangible Assets |
| **GRAP 103** | Heritage Assets |
| **GRAP 104** | Financial Instruments |
| **IFRS 7 (AC 144)** | Financial Instruments: Disclosure |
| **IFRS 19 (AC 116)** | Employee Benefits |
| **IFRS 32 (AC 125)** | Financial Instruments: Presentation |
| **IFRS 39 (AC 133)** | Recognition and Measurement |
| **IFRIC 4 (AC 437)** | Determining whether an Arrangement contains a Lease |

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

**2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviation display format. No foreign exchange transactions are included in the statements.

**3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**4. COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly.

## 5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

| | |
|---|---|
| **GRAP 18** | Segment Reporting |
| **GRAP 20** | Related Party Disclosures |
| **GRAP 25** | Employee Benefits |
| **GRAP 104** | Financial Instruments |
| **GRAP 105** | Transfer of Functions Between Entities Under Common Control |
| **GRAP 106** | Transfer of Functions Between Entities Not Under Common Control |
| **GRAP 107** | Mergers |

The above mentioned standards, not yet effective, will not have a major impact on the Municipality as it is not applicable to the Municipality, except for impairment.

## 6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than allowed by the MFMA.

## 7. RESERVES

### a. Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grant Reserve equal to the value of the government grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus.

When an item of property, plant and equipment, financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

The purpose of the Government Grant Reserve is to promote community equity by ensuring and funding the future depreciation expenses that will be incurred over the useful lives of Government Grant funded items of property, plant and equipment.

### b. Capital Replacement Reserve

When items of property, plant and equipment are financed using the CRR cash resources, a corresponding transfer is made from the CRR bank account to the accumulated surplus/(deficit) in the Statement of Financial Performance as income. The expenses relating to these items are applied against the accumulated surplus/(deficit) in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, it is done against the accumulated surplus/(deficit) in the Statement of Financial Performance.

When an item of property, plant and equipment financed from the CRR is disposed, the amount received for that item, if any, is transferred to the CRR bank account.

The Capital Replacement Reserve may only be utilized for the purpose of purchasing or the construction of property, plant and equipment and may not be used for the maintenance of these items.

### c. Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation reserve is realized as revalued buildings, are depreciated through a transfer from the Revaluation Reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are charged to the Statement of Financial Performance.

## 8. LEASES

### a. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Transfer of ownership is not required to be recognized as a finance lease.

Amounts held under finance leases are initially recognized as assets of the Municipality at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Municipality’s policy on borrowing costs.

Operating lease payments are recognized as an expense in the Statement of Financial Performance.

**b. Municipality as Lessor**

Under a finance lease, the municipality recognizes the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as a sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognized as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

## 9. INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorized as either held-to-maturity where the criteria for that categorization are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

## 10. TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorized as financial assets: loans and receivables and are initially recognized at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

## 11. BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalization of borrowing costs when substantially all the activities to prepare the assets for its intended use or sale are complete. It is considered inappropriate to capitalize borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognized as an expense in the Statement of Financial Performance when incurred.

## 12. CONDITIONAL GRANTS

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognized.

Revenue received from conditional grants, donations and funding are received in a separate bank account. Expenditure incurred against these accounts and the balance at year-end are stated as unspent conditional grants in the annual financial statements

### 10.1 Unspent Conditional Grants

Unspent conditional grants are reflected on the Statement of Financial Position under Current Liabilities.

- The balance of the unspent conditional grants is separately invested.

- Interest earned on the investments is treated in accordance with the grant conditions. If it is payable to the funder, it is recorded as part of the unspent conditional grant. If it is not a condition, interest is recognized as interest earned in the Statement of Financial Performance of the Municipality.

## 13. PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates. Provisions are only used for the purposes for which they were originally recognized.

The Municipality does not recognize contingent liabilities or contingent assets. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognized for future operating losses. The present obligation under an onerous contract is recognized and measured as a provision.

A provision for restructuring costs is recognized only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the obligation shall be reversed.

## 14. EMPLOYEE BENEFITS

### (a) Pension Obligations : In-service Members

The District Municipality contributes to the following post retirement funds:

- Cape Joint Pension Fund
- Cape Joint Retirement Fund
- SAMWU Provident Fund

The retirement benefits are calculated in accordance with the rules of the funds.
Current contributions are charged against the operating account of the Council at a percentage of the pensionable remuneration paid to the employees.

### (b) Pension Obligations : Post Retirement Pension Benefits

Currently five retired employees benefited from this obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. (See note 2)

**(c) Post Retirement Medical Obligations**

The District Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pay 70% of the contributions and the remaining 30% is paid by the members. The entitlement to those benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. (See note 2)

**(d) Provision for Leave Pay**

Liabilities for annual leave are recognized as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

**(e) Bonuses**

Bonuses are paid to employees in November and December in the form of a thirteenth cheque or pro-rata for employees with less than one year service. Provision has been made for this expense in the budget of the Municipality.

**(f) Performance Bonuses**

Performance bonuses are paid to section 57 employees if they qualify. Provision has been made for this expense in the budget of the Municipality.

**(g) Long Service Bonus**

The Municipality doesn't pay long service bonuses.

**15. PROPERTY, PLANT AND EQUIPMENT**

**a. Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used for more than one year. Items of property, plant and equipment are initially recognized as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantelling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

**b. Subsequent Measurement – Revaluation Model (Land & Buildings)**

Subsequent to initial recognition, Property, Plant and equipment are carried at a revalued amount, unless, otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balances existing in the revaluation surplus in respect of that asset.

**c. Subsequent Measurement – Cost Model (All PPE excluding Land and Buildings)**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognizes the part of the asset being replaced and capitalizes the new component. Subsequent expenditure incurred on an asset is capitalized when it increases the capacity or future economic benefits associated with the asset.

**d. Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives.

| | **Years** |
|---|---|
| **Community** | |
| Buildings | 30 |

**Heritage Assets**
No depreciation

**Finance Lease Assets**

| | |
|---|---|
| Other Assets | 3-5 |

**Other Assets**

| | |
|---|---|
| Vehicles | 1-5 |
| Office Equipment | 1-10 |
| Specialised Plant and Equipment | 10 |
| Computer Equipment | 1-5 |

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognized as a change in accounting estimate in the Statement of Financial Performance.

The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, an impairment loss is charged to the Statement of Financial Performance.

**d. Derecognition**

Items of property, plant and equipment are derecognized when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

## 16. INTANGIBLE ASSETS

**a. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs. The municipality recognizes an intangible asset in the Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalized. Research expenditure is never capitalized, while development expenditure is only capitalized to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognized at cost.

Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

**b. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortization and impairments. The cost of an intangible asset is amortized over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortized but is subject to an annual impairment test.

**c. Amortization and Impairment**

Amortization is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. The annual amortization rates are based on the following estimated useful lives:

| **Intangible Assets** | **Years** |
|---|---|
| Website | 5 |
| Financial System | 5 |
| Computer Software | 5 |

The amortization period and the amortization method for an intangible asset with a finite useful live are reviewed at each reporting date and any changes are recognized as a change in accounting estimate in the Statement of Financial Performance.

The Municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### d. Derecognition

Intangible assets are derecognized when the asset is disposed of or when there are no further economic benefits or potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

## 17. INVESTMENT PROPERTY

### a. Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

### b. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

### c. Derecognition

Investment property is derecognized when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Position.

## 18. NON CURRENT ASSETS HELD FOR SALE

### a. Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### b. Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of their carrying amounts and fair values less costs to sell.

A non-current asset is not depreciated (or amortized) while it is held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognized in surplus or deficit.

## 19. CONSTRUCTION CONTRACTS

Where the outcomes of a construction contract can be estimated reliably, contract revenue and costs are recognized by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent that contract costs incurred are recoverable. Contract costs are recognized as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

## 20. IMPAIRMENT OF ASSETS

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value is use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognized in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Financial Performance.

## 21. INVENTORIES

Stores and materials were held by Council for the use in Roads Agency operations. There are no materials held any more for this function. Materials are bought by order when needed.

## 22. FINANCIAL INSTRUMENTS

Financial instruments recognized on the Statement of Financial Position include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

### 20.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## 20.2 Subsequent Measurement

Financial assets are categorized according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorized as either at fair value through profit or loss or financial liabilities carried at amortized cost (“other”). The subsequent measurement of financial assets and liabilities depends on this categorization and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

### 20.2.1 Investments

Fixed deposits and short-term deposits are invested in registered commercial banks and are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### 20.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortized cost, the Municipality first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments (more than 120 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occuring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

20.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorized as financial liabilities held at amortized cost, are initially recognized at fair value and subsequently measured at amortized cost which is the initial carrying amount, less repayments, plus interest.

20.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with bank and the net of bank overdrafts. The Municipality categorizes cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorized as financial liabilities: other financial liabilities carried at amortized cost.

**20.3 Derecognition of Financial Instruments**

20.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through”
- arrangement and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the municipality’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

20.3.2 Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Statement of Financial Performance.

### 20.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### 20.5 Impairment of Financial Assets

The Municipality assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## 21. REVENUE

### 21.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognized to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate basis as an exchange transaction.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognized when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the conditions, it is recognized as an unspent public contribution (liability).

Contributed property, plant and equipment is recognized when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible councilors or officials is virtually certain.

### 21.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Revenue from the rental of facilities and equipment is recognized on a time proportion basis.

External interest received is interest received on investments and is recognized in the Statement of Financial Performance.

In the case of interest earned on unspent conditional grants, the interest is recognized in the Statement of Financial Performance, only if it is not a condition of the grant.

Revenue from the sale of goods is recognized when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### 21.3 Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognized when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## 22. RELATED PARTIES

A related party is related to the Municipality if the party:

- are full-time councilors, being the Executive Mayor, Speaker and members of the Mayoral Committee;
- is a member of the key management personnel of the Municipality. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager (section 57 managers);
- are individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the party in making financial and/or operating decisions;
- rely on the Municipality for the settlement of liabilities on behalf of the party.

The amount recognized must be significant.

## 23. UNAUTHORISED EXPENDITURE

Unauthorized expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

In the case of agency functions, when a deficit occurs, the deficit is shown as a debtor in the Statement of Financial Position and recovered from the grant allocation for the next financial year.

## 24. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality’s Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 25. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 26. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the financial statements.

## 27. AGENCY SERVICES

Council performs a cost-based roads maintenance service on behalf of the Department of Transport, Roads and Public Works of the Northern Cape Province.

Inter-authority obligations relevant to the agency service on the reporting date are reflected in the Statement of Financial Position.

## 28. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of current liabilities or current assets in the statement of financial position.

## 29. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively in according with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effect of changes in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatements are practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the Financial Statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effect of the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatements are practicable.

## 30. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendments to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

| | | 2011<br>R | 2010<br>R |
|---|---|---|---|
| **1.** | **BORROWINGS** | | |
| | Annuity Loans | 4,405,415.47 | 5,441,655.55 |
| | Capitalised Lease Liability | 1,197,832.15 | 1,370,982.50 |
| | **Sub-total** | 5,603,247.62 | 6,812,638.05 |
| | **Less: Current portion transferred to current liabilities** | 1,505,827.49 | 1,912,792.60 |
| | Annuity Loans | 956,357.80 | 1,035,540.62 |
| | Finance Leases | 549,469.69 | 877,251.98 |
| | **Total External Loans** | **4,097,420.13** | **4,899,845.45** |

Refer to Appendix A for more detail on long-term liabilities.
Interest Rate : 9,89% and 9,863%
Monthly Instalments : R61 582.64 and R65 724.38
Redemption Date : 2012/03/31 and 2018/03/31

**1.1 Finance lease liability**

| | 2011<br>R | 2010<br>R |
|---|---|---|
| Total finance lease liability | 1,197,832.15 | 1,370,982.50 |
| Less: Current portion | (549,469.69) | (877,251.98) |
| Carrying amount of finance leases | 648,362.46 | 493,730.52 |

The lease assets are insured with the insurance company of the council. The interest rate used for lease assets are the prime rates at the time when the leases commenced (Canon) and 16% for BCX. The lease agreements make provision for monthly payments of the instalments with an annual escalation of 15% for Canon and fixed instalments for BCX. Ownership of the assets remains with the provider (Canon) and will be transferred to the Municipality at the end of the redeemable period (BCX).

**1.2 Reconciliation between the minimum lease payments and their present value.**

| | Next year | Years 2 through 5 | Beyond 5 years | Total |
|---|---|---|---|---|
| Minimum lease payments : Capital | 549,469.69 | 648,362.46 | - | 1,197,832.15 |
| Minimum lease payments : Interest | 49,101.93 | 25,600.75 | - | 74,702.68 |
| Total lease payments | 598,571.62 | 673,963.21 | - | 1,272,534.83 |

## 2. NON-CURRENT EMPLOYEE BENEFITS

| | | |
|---|---|---|
| Obligation at the beginning of the year | 16,597,596.00 | 15,167,980.00 |
| Interest cost | 1,447,250.00 | 1,551,059.00 |
| Current service cost | 413,695.00 | 261,771.00 |
| Benefits paid | (943,452.00) | (827,110.00) |
| Actuarial (Gain)/Loss | - | 443,896.00 |
| Obligation at the end of the year | 17,515,089.00 | 16,597,596.00 |

**EMPLOYEE BENEFIT PROVISIONS**

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, Paragraph 155 (a)

### 2.1 Pension Benefits

| | | |
|---|---|---|
| Obligation at the beginning of the year | 215,388.00 | 92,667.00 |
| Interest cost | 17,235.00 | 9,005.00 |
| Current service cost | - | - |
| Benefits paid | (26,640.00) | (21,000.00) |
| Actuarial (Gain)/Loss | - | 134,716.00 |
| Obligation at the end of the year | 205,983.00 | 215,388.00 |

**i) Rate of interest**

| | | |
|---|---|---|
| Discount rate | 8.04% | 8.04% |
| Pension Increase Rate | 10.00% | 10.00% |
| Post Retirement Interest Rate | -1.78% | -1.78% |

**ii) Mortality rates**

The PA (90) ultimate table, rated down by 1 year of age was used by the actuaries.

**iii) Normal retirement age**

The normal retirement age of employees is 60. It has been assumed that in-service members will retire at age 58, which then implicitly allows for expected rates of early and ill-health retirement.

### 2.2 Medical Aid Benefits

| | | |
|---|---|---|
| Obligation at the beginning of the year | 16,382,208.00 | 15,075,313.00 |
| Interest cost | 1,430,015.00 | 1,542,054.00 |
| Current service cost | 413,695.00 | 261,771.00 |
| Benefits paid | (916,812.00) | (806,110.00) |
| Actuarial (Gain)/Loss | - | 309,180.00 |
| Obligation at the end of the year | 17,309,106.00 | 16,382,208.00 |



Key actuarial assumptions used:

**i) Rate of interest**

| | | |
|---|---|---|
| Discount rate | 8.97% | 8.97% |
| Health Care Cost Inflation Rate | 7.05% | 7.05% |
| Net Effective Discount Rate | 1.80% | 1.80% |

**ii) Mortality rates**

The PA (90) ultimate table, rated down by 1 year of age was used by the actuaries.

**iii) Normal retirement age**

The normal retirement age of employees is 60. It has been assumed that in-service members will retire at age 58, which then implicitly allows for expected rates of early and ill-health retirement.

## 3. EMPLOYEE BENEFITS

**Provision for Staff Leave**

| | | |
|---|---|---|
| Balance at beginning of the year | 1,934,377.05 | 1,687,413.24 |
| Transfer from non-current | - | - |
| Contributions to provision - current year provision | 567,997.39 | 294,628.87 |
| Contributions to provision - prior year over provision | - | - |
| Expenditure incurred | (89,408.86) | (47,665.06) |
| **Balance at end of the year** | 2,412,965.58 | 1,934,377.05 |

Annual leave provision is based on the total number of leave days due on 30 June, at individual salary values effective on the reporting date.

## 4. TRADE PAYABLES

| | | |
|---|---|---|
| Trade creditors | 653,746.38 | 1,558,763.73 |
| Payments received in advance | 11,042.17 | 17,509.85 |
| Control Accounts | 240,267.00 | 557,584.85 |
| Advances from Roads Department | 567,069.00 | 297,918.24 |
| **Total Creditors** | **1,472,124.55** | **2,431,776.67** |



## 5. UNSPENT CONDITIONAL GRANTS AND RECEIPTS (Section 123 of the MFMA, 56 of 2003)

| | | |
|---|---|---|
| **Conditional Grants from other spheres of Government** | **3,481,817.50** | **12,790,989.80** |
| Powerline Subsidies | - | 239,703.30 |
| Grant : MIG | 2,070,762.91 | 3,182,441.27 |
| Bulk Water Supply | 41,261.85 | 41,190.60 |
| Drought Relief Subsidy | 17,170.00 | 17,140.25 |
| Regravelling | 853,402.96 | 7,781,735.42 |
| Ouboks Colesberg | 103,082.23 | 369,484.81 |
| Project Skietfontein | 20,414.98 | 20,379.73 |
| Fload Damage | 354,742.71 | 354,127.02 |
| Fire Fighting Equipment | 18,876.37 | 177,873.22 |
| Lotto | 2,103.49 | 502,093.68 |
| School Sanitation | - | 104,820.50 |
| **Total Conditional Grants and Receipts** | **3,481,817.50** | **12,790,989.80** |

These amounts are invested in a ring-fenced investment until utilized.

**5.1 Power Line Subsidy**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 239,703.30 | 239,703.30 |
| Current year receipts | 5,227.31 | 10,616.72 |
| Conditions met - transferred to revenue | (244,930.61) | (10,616.72) |
| Conditions still to be met | **-** | **239,703.30** |

To improve the quality of the electricity network in the district.

**5.2 Municipal Improvement Grant**

| | | |
|---|---|---|
| **Own MIG** | | |
| Balance unspent at beginning of year | 10,969.91 | - |
| Current year receipts | 5,578,672.15 | 5,285,429.67 |
| Conditions met - transferred to revenue | (3,535,311.55) | (5,274,459.76) |
| Conditions still to be met | **2,054,330.51** | **10,969.91** |
| **Other MIG** | | |
| Balance unspent at beginning of year | 3,171,471.36 | 1,992,235.78 |
| Current year receipts | - | 9,423,407.01 |
| Conditions met - transferred to revenue | (3,155,038.96) | (8,244,171.43) |
| Conditions still to be met | **16,432.40** | **3,171,471.36** |

To provide service delivery infrastructure to households in poorer infrastructure



**5.3 R D P**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 5,397.88 |

| | | |
|---|---|---|
| Current year receipts | - | 4.20 |
| Conditions met - transferred to revenue | - | (5,402.08) |
| Conditions still to be met | **-** | **-** |

**5.4 Bulk Water Supply**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 41,190.60 | 41,165.51 |
| Current year receipts | 825.53 | 1,061.63 |
| Conditions met - transferred to revenue | (754.28) | (1,036.54) |
| Conditions still to be met | **41,261.85** | **41,190.60** |

To develop regional bulk infrastructure for water supply to supplement water treatment works at resource development and link such water resource development with the local bulk and local distribution networks.

**5.5 Drought Relief Funds**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 17,140.25 | 17,090.90 |
| Current year receipts | 406.55 | 582.89 |
| Conditions met - transferred to revenue | (376.80) | (533.54) |
| Conditions still to be met | **17,170.00** | **17,140.25** |

To assist municipalities to fund emergency water services supply to communities affected by drought.

**5.6 Regravelling**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 7,781,735.42 | 360,840.87 |
| Current year receipts | 140,358.83 | 9,071,463.49 |
| Conditions met - transferred to revenue | (7,068,691.29) | (1,650,568.94) |
| Conditions still to be met | **853,402.96** | **7,781,735.42** |

To regravel some of the gravel roads in the region.

**5.7 Ouboks Housing Project**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 369,484.81 | 9,302,169.83 |
| Current year receipts | 30,685,295.36 | 14,036,452.22 |
| Conditions met - transferred to revenue | (30,951,697.94) | (22,969,137.24) |
| Conditions still to be met | **103,082.23** | **369,484.81** |

Ouboks housing project - Umsobomvu Municipality



**5.8 Project Skietfontein**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 20,379.73 | 20,376.26 |
| Current year receipts | 406.14 | 54.16 |

| | | |
|---|---|---|
| Conditions met - transferred to revenue | (370.89) | (50.69) |
| Conditions still to be met | **20,414.98** | **20,379.73** |

To improve the standard of living of the Skietfontein community.

**5.9 Flood Damage**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 354,127.02 | 442,795.36 |
| Current year receipts | 8,950.40 | 17,159.47 |
| Conditions met - transferred to revenue | (8,334.71) | (105,827.81) |
| Conditions still to be met | **354,742.71** | **354,127.02** |

To repair flood damage to gravel roads in the district.

**5.10 Sanitation**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 424,824.85 |
| Current year receipts | - | 9,053.25 |
| Conditions met - transferred to revenue | - | (433,878.10) |
| Conditions still to be met | **-** | **-** |

To eliminate the use of bucket sanitation in the district.

**5.11 DGDS**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 4,556.87 |
| Current year receipts | - | 3.54 |
| Conditions met - transferred to revenue | - | (4,560.41) |
| Conditions still to be met | **-** | **-** |

To held the district growth development summit.

**5.12 MSIG (Municipal Systems Improvement Grant)**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 2,335.99 |
| Current year receipts | - | 1,300,001.84 |
| Conditions met - transferred to revenue | - | (1,302,337.83) |
| Conditions still to be met | **-** | **-** |

To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act, 2000.



**5.13 Fire Fighting Equipment**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 177,873.22 | 177,873.22 |
| Current year receipts | 354,450.16 | 324,965.02 |
| Conditions met - transferred to revenue | (513,447.01) | (324,965.02) |

| | | |
|---|---|---|
| Conditions still to be met | **18,876.37** | **177,873.22** |

To enhance municipalities capacity to deal with fire hazards.

**5.14 Lotto**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 502,093.68 | 1,495.96 |
| Current year receipts | 4,745.64 | 900,598.79 |
| Conditions met - transferred to revenue | (504,735.83) | (400,001.07) |
| Conditions still to be met | **2,103.49** | **502,093.68** |

To develop or maintain sport and recreation facilities at the municipalities.

**5.15 School Sanitation**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 104,820.50 | 1,426,791.17 |
| Current year receipts | 1,609.04 | 3,474,561.38 |
| Conditions met - transferred to revenue | (106,429.54) | (4,796,532.05) |
| Conditions still to be met | **-** | **104,820.50** |

To provide toilets with running water at the schools in the rural ereas.

**5.16 National Housing**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 251,370.75 |
| Current year receipts | - | 757,119.81 |
| Conditions met - transferred to revenue | - | (1,008,490.56) |
| Conditions still to be met | **-** | **-** |

To establish a housing department within the municipality.

## 6. TAXES

| | | |
|---|---|---|
| VAT Payable | - | - |
| VAT Receivable | 63,909.38 | 1,653,791.12 |
| VAT (payable)/receivable | **63,909.38** | **1,653,791.12** |

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date through out the year.



## 7. PROPERTY, PLANT AND EQUIPMENT

**30 June 2011**

| | Land and Buildings | Furniture and Equipment | Council Vehicles | Leased | Other | Total |
|---|---|---|---|---|---|---|

| | R | R | R | R | R | R |
|---|---|---|---|---|---|---|
| **Carrying values at 1 July 2010** | **13,127,860.34** | **-** | **-** | **2,433,457.45** | **3,858,394.33** | **19,419,712.12** |
| Cost | 14,119,515.79 | - | - | 3,868,104.81 | 5,848,938.07 | 23,836,558.67 |
| Accumulated depreciation | (991,655.45) | - | - | (1,434,647.36) | (1,990,543.74) | (4,416,846.55) |
| **Movement for the year** | | | | | | |
| Correction of error (note 20) | - | - | - | - | - | - |
| Acquisitions | - | - | - | 1,069,000.00 | 1,174,684.59 | 2,243,684.59 |
| Disposals | | - | - | (3,105,597.00) | (1,665,080.52) | (4,770,677.52) |
| Capital under Construction | - | - | - | - | - | - |
| Revaluations | - | | - | - | - | - |
| Impairment | - | - | - | - | - | - |
| | - | - | - | (2,036,597.00) | (490,395.93) | (2,526,992.93) |
| **Depreciation** | | | | | | |
| Correction of error (note 20) | - | - | - | - | - | - |
| Depreciation for the year | (419,627.73) | - | - | (409,744.61) | (645,766.06) | (1,475,138.40) |
| Disposals | - | - | - | 1,507,132.12 | 904,586.95 | 2,411,719.07 |
| Other movements | - | - | - | - | - | - |
| | (419,627.73) | - | - | 1,097,387.51 | 258,820.89 | 936,580.67 |
| | | | - | | - | |
| **Carrying values at 30 June 2011** | **12,708,232.61** | **-** | **-** | **1,494,247.96** | **3,626,819.29** | **17,829,299.86** |
| Cost | 14,119,515.79 | - | - | 1,831,507.81 | 5,358,542.14 | 21,309,565.74 |
| Accumulated depreciation | (1,411,283.18) | - | - | (337,259.85) | (1,731,722.85) | (3,480,265.88) |

Refer to Appendix B for more detail on property, plant and equipment.



**30 June 2010**

| | Land and Buildings R | Furniture and Equipment R | Council Vehicles R | Leased R | Other R | Total R |
|---|---|---|---|---|---|---|
| **Carrying values at** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **1 July 2009** | **13,512,621.16** | **-** | **-** | **2,574,091.62** | **3,627,878.71** | **19,714,591.49** |
| Cost | 14,084,651.84 | 1,182,920.06 | 2,267,712.72 | - | 3,729,043.74 | 21,264,328.36 |
| Cost Correction of Error (note 20.1) | - | (1,182,920.06) | (2,267,712.72) | 3,588,104.81 | 1,331,741.45 | 1,469,213.48 |
| Accumulated depreciation | (1,137,807.13) | (971,158.36) | (1,609,326.04) | - | (2,241,890.77) | (5,960,182.30) |
| Acc Dep Correction of error (note 20.3) | 565,776.45 | 971,158.36 | 1,609,326.04 | (1,014,013.19) | 808,984.29 | 2,941,231.95 |
| **Movement for the year** | | | | | | |
| Correction of error (note 20) | - | - | - | | - | - |
| Acquisitions | 34,863.95 | 841,678.02 | 1.00 | | 280,000.00 | 1,156,542.97 |
| Acguisition Correction of Error (note 20.1) | - | (841,678.02) | (1.00) | 280,000.00 | 715,965.58 | 154,286.56 |
| Disposals | - | (9,225.60) | (145,137.96) | | - | (154,363.56) |
| Disposal Correction of Error (note 20.1) | - | 9,225.60 | 145,137.96 | - | (207,812.70) | (53,449.14) |
| Capital under Construction | - | - | - | | - | - |
| Revaluations | - | - | - | | - | - |
| Impairment | - | - | - | | - | - |
| | 34,863.95 | - | - | 280,000.00 | 788,152.88 | 1,103,016.83 |
| **Depreciation** | | | | | | |
| Correction of error (note 20) | - | - | - | | - | - |
| Depreciation for the year | (466,977.19) | (186,905.45) | (226,028.73) | | (734,379.28) | (1,614,290.65) |
| Depr Correction of Error (note 20.3) | 47,352.42 | 186,905.45 | 226,028.73 | (420,634.17) | 56,243.99 | 95,896.42 |
| Disposals | - | 9,225.60 | 111,272.43 | | - | 120,498.03 |
| Disposal Correction of Error | - | (9,225.60) | (111,272.43) | - | 120,498.03 | - |
| Other movements | - | - | - | | - | - |
| | (419,624.77) | - | - | (420,634.17) | (557,637.26) | (1,397,896.20) |
| | | | - | | - | |
| **Carrying values at 30 June 2010** | **13,127,860.34** | **-** | **-** | **2,433,457.45** | **3,858,394.33** | **19,419,712.12** |
| Cost | 14,119,515.79 | - | - | 3,868,104.81 | 5,848,938.07 | 23,836,558.67 |
| Accumulated depreciation | (991,655.45) | - | - | (1,434,647.36) | (1,990,543.74) | (4,416,846.55) |

**7.1 Transitional Provisions**

The municipality has taken advantage of the transitional provisions in terms of Directive 4: "Transitional Provisions for the Adoption of the Standard of GRAP 17 by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board.

Transitional provisions that had been taken advantage of:-
- Impairment of property, plant and equipment



**7.2 Revaluations**

The Municipality will engage an accredited independent valuer to determine the fair value of its property, plant and equipment during the 2010/2011 financial year.

**8. INVESTMENT PROPERTY**

| | | |
|---|---|---|
| Cost | 623,850.00 | 623,850.00 |
| Correction of error (note 20.3) | - | 276,913.41 |
| Less: Accumulated Depreciation | (295,488.97) | (561,465.00) |
| **Total Investment Properties** | **328,361.03** | 339,298.41 |

## 9. INTANGIBLE ASSETS

| | | |
|---|---|---|
| **Cost** | 498,230.40 | 509,388.38 |
| Balance 1 July 2010 | 509,388.38 | 399,148.92 |
| Acquisitions | 21,136.74 | - |
| Correction of error (note 20.2) | - | 84,000.00 |
| Acquisitions for the year - At cost | (32,294.72) | 26,239.46 |
| | | |
| **Less: Accumulated Amortisation** | 194,458.40 | 153,572.18 |
| Balance 1 July 2010 | 153,572.18 | 116,672.89 |
| Correction of error (Note 20.3) | - | (30,988.04) |
| Amortisation for the year | 40,886.22 | 67,887.33 |
| | | |
| **Total Intangible Assets** | 303,772.00 | 355,816.20 |

## 10. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Regional Service Levies | - | 186,420.61 |
| Less: Provision for bad debts | - | (186,420.61) |
| **Total Trade Receivables from Exchange Transactions** | **-** | **-** |
| | | |
| **Summary of Debtors by Customer Classification** | | |
| 90 days | - | - |
| + 120 days | - | 186,420.61 |
| **Sub-Total** | **-** | **186,420.61** |
| Less: Provision for bad debts | **-** | **(186,420.61)** |
| | | |
| **Total Consumer Debtors** | **-** | **-** |
| | | |
| **Reconciliation of the bad debt provision** | | |
| Balance at the beginning of the year | - | 124,060.81 |
| Contributions to provision | - | 62,359.80 |
| Bad debts written off against provision | - | - |
| **Balance at the end of the year** | **-** | **186,420.61** |



## 11. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Sundries | 646,436.74 | 1,090,078.90 |
| Less: Provision for bad debts | (350,416.47) | (225,670.23) |
| Control Accounts | 390.00 | - |
| Advances to | 170,542.96 | - |
| **Total Other Debtors** | **466,953.23** | **864,408.67** |

**11.1 Sundries**

| | | |
|---|---|---|
| Internal Audit Functions | 463,750.73 | 225,670.23 |
| Property Rent | 8,300.26 | 22,903.87 |
| Ex Gratia Medical Aid | - | 21,664.98 |
| Provision for interest on investments | 16,248.83 | 56,416.79 |
| Contribution National Housing | 9,622.70 | 750,000.00 |
| Payment in Advance | - | 13,423.03 |
| Overpayment : Councillors | 148,514.22 | - |
| | 646,436.74 | 1,090,078.90 |

**11.2 Control Accounts**

| | | |
|---|---|---|
| Contra Advances | 300.00 | - |
| Salary Control | 90.00 | - |
| | 390.00 | - |

**11.3 Advances to**

| | | |
|---|---|---|
| Roads | 170,542.96 | - |

## 12. CASH AND CASH EQUIVALENTS

**Assets**

| | | | |
|---|---|---|---|
| **12.1** | Call Investment Deposits | 8,900,296.40 | 18,993,600.37 |
| **12.2** | Primary Bank Account | 586,684.49 | (203,594.62) |
| | **Total Cash and Cash Equivalents** | 9,486,980.89 | 18,790,005.75 |

| | | | |
|---|---|---|---|
| **12.1** | **Call Investment Deposits** | 8,900,296.40 | 18,993,600.37 |
| | **Call Accounts** | | |
| | - ABSA Bank | 7,888,210.14 | 17,197,822.07 |
| | **Term Deposits** | | |
| | - ABSA Bank | 1,012,086.26 | 1,795,778.30 |

The Municipality has the following bank accounts:-



**12.2 Current Account (Primary Bank Account)**

ABSA Bank - De Aar Branch
Account Number 1850000197

| | | |
|---|---|---|
| Cash book balance at beginning of year | (203,594.62) | 532,225.28 |
| Cash book balance at end of year | **586,684.49** | **(203,594.62)** |

| | | | | |
|---|---|---|---|---|
| Bank statement balance at beginning of year | | | 497,897.93 | 752,530.51 |
| Bank statement balance at end of year | | | **847,567.41** | **497,897.93** |
| | | | | |
| **Term Deposits** | | | | |
| Capital Replacement Reserve | 6054384570 | ABSA | 1,012,086.26 | 1,206,905.80 |
| Provision for Leave | 7054384437 | ABSA | - | 458,456.42 |
| Bad Debts | 9070828558 | ABSA | - | 130,416.08 |
| | | | 1,012,086.26 | 1,795,778.30 |
| | | | | |
| **Call Accounts** | | | | |
| Powerline | 9119744881 | ABSA | - | 239,703.30 |
| MIG | 9122853831 | ABSA | 2,070,762.91 | 3,182,441.27 |
| Surplus | 9123552505 | ABSA | 4,396,652.98 | 4,211,754.26 |
| Drought Relief | 9123553763 | ABSA | 17,170.00 | 17,140.25 |
| Flood Damage | 9162881602 | ABSA | 354,742.71 | 354,127.02 |
| DORA | 9206499543 | ABSA | 5,049.02 | - |
| Fire Fighting Equipment | 9177555141 | ABSA | 18,876.37 | 177,873.22 |
| Bulk Water Supply | 9199120859 | ABSA | 41,261.85 | 41,190.60 |
| Regravelling | 9199123491 | ABSA | 853,402.96 | 7,781,735.42 |
| Ouboks | 9199458399 | ABSA | 103,082.23 | 369,484.81 |
| Skietfontein | 9203426224 | ABSA | 20,414.98 | 20,379.73 |
| School Sanitation | 9206500853 | ABSA | - | 104,820.50 |
| Lotto | 9212924936 | ABSA | 2,103.49 | 502,093.68 |
| Woman Empowerment Fund | 9243449513 | ABSA | 4,690.64 | 195,078.01 |
| | | | 7,888,210.14 | 17,197,822.07 |



## 13. GOVERNMENT GRANTS AND SUBSIDIES

| | | |
|---|---|---|
| Grant : Equitable Share | 9,316,795.44 | 7,147,000.00 |
| Grant : Levy Replacement | 15,238,687.96 | 14,834,707.13 |
| Grant : Councillor Remuneration | 1,110,972.60 | 998,000.00 |
| Grant : FMG | 1,000,000.00 | 750,000.00 |
| Grant : NEAR | 1,228,996.85 | 1,027,000.00 |
| Grant : MIG | 7,093,854.31 | 15,377,021.40 |
| Grant : Powerline Subsidy | 239,000.00 | - |

| | | |
|---|---|---|
| Grant : Sanitation | - | 143,621.34 |
| Grant : Flood Damage | - | 47,663.38 |
| Grant : EPWP | - | 1,167,247.00 |
| Grant : Noupoort | - | 84,910.00 |
| Grant : Lotto | 500,001.78 | 500,000.00 |
| Grant : DWAF | - | 437,745.84 |
| Grant : NYAC | - | 625,000.00 |
| Grant : School Sanitation Project | 104,820.50 | 1,911,237.53 |
| Grant : Project Nala | 350,000.00 | - |
| Grant : MSIG | 1,200,000.00 | 1,300,000.00 |
| Grant : National Housing | 1,699,999.28 | 1,500,000.00 |
| | **39,083,128.72** | **47,851,153.62** |
| Grant : Roadworks | - | 22,214,033.77 |
| **Total Government Grants and Subsidies** | **39,083,128.72** | **70,065,187.39** |

The unspend portions of the conditional grants are treated as current liabilities and disclosed per Note 5 above. Only the actual expenditure amounts are transferred to the relevant operating statement to cover the expenditure incurred in terms of the grant conditions.

**13.1 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act of 2008, no significant changes in the level of government grant funding are expected over the forthcoming three financial years except for the MIG grant that District Municipalities, from the 2011/2012 financial year, no longer receive.



## 14. OTHER INCOME

| | | |
|---|---|---|
| Money Various | 225,285.51 | 140,549.63 |
| Seta Claims | 88,081.20 | 118,046.78 |
| Administration Cost (Roads) | 1,872,404.82 | 1,478,926.43 |
| Income from Insurance Claim | 12,802.61 | 18,163.86 |
| Income - Vostersdam | 3,700.00 | 9,568.57 |
| Telephone deductions | 87,337.14 | 141,635.79 |
| Travel & Subsistance paid back | 20,289.48 | 3,461.06 |

| | | |
|---|---|---|
| Salaries paid back | 1,924.80 | - |
| Tender Documents | 1,400.00 | - |
| Income from investments | 438,353.30 | 263,661.49 |
| Medical Ex-Gratia | 407,041.10 | 381,484.20 |
| Contribution from Municipalities | 1,729,953.03 | 1,377,817.43 |
| Total | **4,888,572.99** | **3,933,315.24** |

**15. EMPLOYEE RELATED COSTS**

| | | |
|---|---|---|
| Employee related costs - Salaries and Wages | 15,488,179.15 | 14,288,356.68 |
| Employee related costs - Social contributions | 2,436,573.64 | 2,233,108.72 |
| Bonuses | 1,151,041.37 | 926,987.94 |
| Car allowances | 1,235,457.90 | 1,219,939.50 |
| Housing benefits | 76,763.00 | 82,151.00 |
| Overtime | 117,517.22 | 125,629.01 |
| Unemployment Insurance Fund | 102,404.12 | 94,396.73 |
| Other employee related costs | 179,014.20 | 200,080.52 |
| **Total Employee Related Costs** | **20,786,950.60** | **19,170,650.10** |

**Remuneration of the Municipal Manager**

| | | |
|---|---|---|
| Annual Remuneration | 663,970.00 | 683,123.50 |
| Bonus | 157,250.00 | 49,000.00 |
| Car Allowance | 195,770.00 | 186,355.00 |
| Pension contributions | 116,235.00 | 102,654.00 |
| UIF | 1,497.36 | 1,497.36 |
| **Total** | **1,134,722.36** | **1,022,629.86** |

**Remuneration of the Chief Finance Officer**

| | | |
|---|---|---|
| Annual Remuneration | 579,885.52 | 583,384.86 |
| Bonus | 118,888.58 | 41,880.00 |
| Car Allowance | 110,177.68 | 115,228.00 |
| Medical contributions | 30,016.80 | 26,550.00 |
| Pension contributions | 101,489.40 | 89,303.40 |
| UIF | 1,497.36 | 1,497.36 |
| **Total** | **941,955.34** | **857,843.62** |



**Remuneration of the Chief Internal Auditor**

| | | |
|---|---|---|
| Annual Remuneration | 535,831.31 | 602,124.75 |
| Bonus | 53,083.33 | 43,500.00 |
| Car Allowance | 70,193.00 | 74,316.00 |
| Medical contributions | 27,522.00 | 40,924.80 |
| Pension contributions | 77,403.96 | 93,085.20 |
| UIF | 1,497.36 | 1,497.36 |
| **Total** | **765,530.96** | **855,448.11** |

**Remuneration of the Manager Infrastructure & Technical Services**

| | | |
|---|---|---|
| Annual Remuneration | 518,109.34 | 499,730.44 |
| Housing subsidy | 3,738.00 | 6,864.00 |
| Bonus | 56,414.69 | 36,575.00 |
| Car Allowance | 110,096.00 | 138,829.00 |
| Medical contributions | 17,778.60 | 28,155.60 |
| Pension contributions | 90,213.66 | 78,178.50 |
| UIF | 1,497.36 | 1,497.36 |
| **Total** | **797,847.65** | **789,829.90** |

**Remuneration of the Planner PIMS**

| | | |
|---|---|---|
| Annual Remuneration | 630,866.05 | 626,181.07 |
| Bonus | 104,195.76 | 45,830.00 |
| Car Allowance | 132,807.00 | 132,559.00 |
| Medical contributions | 34,785.00 | - |
| UIF | 1,497.36 | 1,497.36 |
| **Total** | **904,151.17** | **806,067.43** |

**Remuneration of the Chief Corporate Services**

| | | |
|---|---|---|
| Annual Remuneration | 535,414.00 | 546,881.29 |
| Bonus | 110,923.12 | 38,580.00 |
| Car Allowance | 122,018.00 | 143,490.72 |
| Pension contributions | 93,569.40 | 82,508.40 |
| UIF | 1,497.36 | 1,497.36 |
| **Total** | **863,421.88** | **812,957.77** |

## 16. REMUNERATION OF COUNCILLORS

| | | |
|---|---|---|
| Executive Mayor | 412,207.75 | 416,256.00 |
| Speaker | 337,348.88 | 349,563.98 |
| Members of the Mayoral Committee | 818,707.63 | 621,480.70 |
| Councillors | 544,441.34 | 917,337.25 |
| Travelling allowances | 697,076.75 | 719,931.29 |
| **Total** | **2,809,782.35** | **3,024,569.22** |



**In-kind Benefits**

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor, Speaker and members of the Council has use of Council owned vehicles for official duties.

## 17. INTEREST PAID

| | | |
|---|---|---|
| Long-term liabilities | 614,242.35 | 818,523.37 |
| Employee Benefits | 1,447,250.00 | 1,551,059.00 |
| Bank Account | 3,207.22 | 3,672.68 |
| **Total Interest on External Borrowings** | **2,064,699.57** | **2,373,255.05** |

## 18. GRANTS AND SUBSIDIES PAID

| | | |
|---|---|---|
| To IDP Projects | 8,658,626.45 | 19,986,895.51 |
| **Total Grants and Subsidies paid** | **8,658,626.45** | **19,986,895.51** |

## 19. GENERAL EXPENSES

| | | |
|---|---|---|
| **Total General Expenses** | **8,830,434.18** | **9,131,073.45** |

Included in the total general expenses are the following major expenses more then R150 000.00:-

| | | |
|---|---|---|
| Advertisements | 160,824.71 | - |
| Consulting Cost | 1,774,513.82 | 1,513,152.59 |
| Actuarial Loss | - | 443,896.00 |
| Current Service Cost | 413,695.00 | 261,771.00 |
| Training | 209,604.33 | 151,337.96 |
| Audit Cost | 634,107.25 | 1,125,422.87 |
| Printing & Stationary | 739,886.64 | 415,075.76 |
| Electricity and Water | 197,475.05 | - |
| Seta payments | 196,942.87 | - |
| Membership Fees | 178,716.97 | - |
| Travel and Subsistance | 1,835,550.58 | 1,920,715.11 |
| Fuel and Oil | 519,847.01 | 448,198.00 |
| Cellphone & Telephone | 502,996.08 | 727,137.27 |
| Public Entertainment | 203,036.90 | 205,075.50 |
| Fire Fighting Equipment for Municipalities | 476,913.98 | 320,000.00 |
| Insurance General | 248,665.32 | 172,928.62 |
| | **8,292,776.51** | **7,704,710.68** |



## 20. CORRECTION OF ERROR IN ACCORDANCE WITH GRAP 3

Restatement of R1 values of property, plant and equipment in the asset register.

| | | |
|---|---|---|
| **20.1 Property, Plant and Equipment** | | |
| Opening Balance | **-** | 22,266,507.78 |
| Transfers In | **-** | 1,570,050.90 |
| Closing Balance | **-** | **23,836,558.68** |
| **20.2 Intangible Assets** | | |
| Opening Balance | **-** | 425,388.38 |
| Transfers In | **-** | 84,000.00 |

| | | | |
|---|---|---|---|
| | Closing Balance | **-** | **509,388.38** |
| **20.3** | **Accumulated Depreciation** | | |
| | Opening Balance | **-** | (8,207,629.74) |
| | Transfers Out | **-** | 3,352,659.42 |
| | Closing Balance | **-** | **(4,854,970.32)** |

Correction of accumulated depreciation on assets financed from Government Grant Reserves.
Demolishment of the Government Grant Reserve

| | | | |
|---|---|---|---|
| **20.4** | **Government Grant Reserve** | | |
| | Opening Balance | **-** | (29,753.45) |
| | Contributions received | **-** | (25,436.61) |
| | Expenditure | | 55,190.06 |
| | Closing Balance | - | - |

Correction of the allocation of audit expenditure of the Roads Department of previous years.

| | | | |
|---|---|---|---|
| **20.5** | **Trade Payables** | | |
| | Opening Balance | **-** | (2,733,787.66) |
| | Contributions received | **-** | 562,711.00 |
| | Closing Balance | - | (2,171,076.66) |

Correction of balances on long-term borrowings (DBSA)

| | | | |
|---|---|---|---|
| **20.6** | **Borrowings** | | |
| | Opening Balance | - | (5,442,357.67) |
| | Contributions received | - | 702.12 |
| | Closing Balance | - | (5,441,655.55) |

PPP Process for previous year not followed

| | | | |
|---|---|---|---|
| **20.7** | **Irragular Expenditure (24.3)** | | |
| | Irragular Expenditure : 2009/10 | - | 3,505,220.15 |
| | Irragular Expenditure : Prior years | - | 4,898,160.88 |



| | | | |
|---|---|---|---|
| **20.8** | **Accumulated surplus** | | |
| | Property, Plant and Equipment (20.1) | - | (1,570,050.90) |
| | Intangible Assets (20.2) | | (84,000.00) |
| | Accumulated Depreciation (20.3) | | (3,352,659.42) |
| | Government Grant Reserve (20.4) | | (29,753.45) |
| | Trade Receivables (20.5) | | (562,711.00) |
| | Borrowings (20.6) | | (702.12) |
| | Nett effect on surplus | **-** | **(5,599,876.89)** |

| | | | |
|---|---|---|---|
| **21.** | **CASH GENERATED BY OPERATIONS** | | |
| | Net surplus for the year | (4,184,836.89) | (5,156,327.89) |
| | Adjustment for:- | | |

| | | |
|---|---|---|
| Depreciation | (890,500.32) | 1,710,450.12 |
| Non-current employee benefits | 917,493.00 | 3,278,423.57 |
| Current employee benefits | 367,444.64 | - |
| Interest received | (770,477.13) | (962,268.05) |
| Interest paid | 617,449.57 | 2,373,256.05 |
| **Operating surplus before working capital changes:** | **(3,943,427.13)** | **1,243,533.80** |
| (Increase)/Decrease in inventories | - | - |
| (Increase)/Decrease in debtors | - | 62,359.80 |
| (Increase)/Decrease in other debtors | 1,973,527.01 | 1,335,526.36 |
| Increase/(Decrease) in conditional grants and receipts | (9,309,172.30) | (1,920,034.70) |
| (Increase)/Decrease in investments | - | - |
| Increase/(Decrease) in creditors | 1,150,484.20 | (888,521.41) |
| **Cash generated by/(utilised in) operations** | **(10,128,588.22)** | **(167,136.15)** |

## 22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:-

| | | |
|---|---|---|
| Bank balances and cash | 586,684.49 | - |
| Bank overdraft | - | (203,594.62) |
| Call investment deposits | 8,900,296.40 | 18,993,600.37 |
| **Total cash and cash equivalents** | **9,486,980.89** | **18,790,005.75** |

## 23. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

| | | |
|---|---|---|
| Long-term liabilities (see note 1) | 5,603,247.62 | 6,812,638.05 |
| Used to finance property, plant and equipment | 5,603,247.62 | 6,812,638.05 |
| Sub-total | - | - |
| Cash set aside for the repayment of long-term liabilities | - | - |
| **Cash invested for repayment of long-term liabilities** | **-** | **-** |



External loans have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that external loans can be repaid on redemption date.

## 24. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

### 24.1 Unauthorised expenditure

None

### 24.2 Fruitless and wasteful expenditure

| | | |
|---|---|---|
| Reconciliation of fruitless and wasteful expenditure | | |
| Opening balance | 6,830.85 | - |

| | | |
|---|---|---|
| Fruitless and wasteful expenditure current year | - | 6,830.85 |
| Condoned or written off by Council | - | - |
| To be recovered - contingent asset | - | - |
| **Fruitless and wasteful expenditure awaiting condonement** | **6,830.85** | **6,830.85** |

**Incident**

1. An amount of R6 830.85 (30% of R22 769.50) is paid to Erika Hardware Store for windows broken by naughty children. The windows are for the Ouboks Housing Project in Colesberg.

**Disciplinary steps/criminal proceedings**

The matter is still under investigation.

### 24.3 Irregular expenditure

| | | |
|---|---|---|
| Reconciliation of irregular expenditure | | |
| Opening balance | 12,303,743.11 | 25,090,633.82 |
| Irregular expenditure current year | 8,179,397.33 | 4,860,107.28 |
| Correction of error : 2009/10 | - | 3,505,220.15 |
| Correction of error : prior years | - | 4,898,160.88 |
| Written off by Council [**(BMK 2010-04-22 (7.1.1.11)]** | - | (25,090,633.82) |
| Written off by Council [**(BMK 2010-04-22 (7.1.1.10)]** | - | (140,000.00) |
| Written off by Council [**(BMK 2009-10-16 (7.1.1.10)]** | - | (159,999.00) |
| Written off by Council [**(BMK 2009-11-05 (9.6.1)]** | - | (659,746.20) |
| Transfer to receivables for recovery - not condoned | - | - |
| **Irregular expenditure awaiting condonement** | **20,483,140.44** | **12,303,743.11** |

**Incident**

There are several reasons for this deviations, such as:

Sole providers;

Ask three companies for quotations but only two respond; etc.



## 25. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

### 25.1 Contributions to SALGA

| | | |
|---|---|---|
| Opening balance | - | - |
| Council subscriptions | 144,836.44 | 130,090.00 |
| Amount paid - current year | (144,836.44) | (130,090.00) |
| Amount paid - previous year | - | - |
| **Balance unpaid (included in creditors)** | **-** | **-** |

### 25.2 Audit fees

| | | |
|---|---|---|
| Opening balance | - | - |
| Current year audit fee | 1,266,796.25 | 1,125,422.87 |

| | | |
|---|---|---|
| Amount paid - current year | (1,266,796.25) | (1,125,422.87) |
| Amount paid - previous year | - | - |
| **Balance unpaid (included in creditors)** | **-** | **-** |

**25.3 VAT**

VAT inputs receivables and VAT outputs receivables are calculated. All VAT returns have been submitted by the due date throughout the year.

**25.4 PAYE, SDL and UIF**

| | | |
|---|---|---|
| Opening balance | - | - |
| Current year payroll deductions | 5,230,784.46 | 4,488,631.00 |
| Amount paid - current year | (5,230,784.46) | (4,488,631.00) |
| Amount paid - previous year | - | - |
| **Balance unpaid (included in creditors)** | **-** | **-** |

**25.5 Pension and Medical Aid Deductions**

| | | |
|---|---|---|
| Opening balance | - | - |
| Current year payroll deductions and Council Contributions | 2,436,573.64 | 2,233,108.72 |
| Amount paid - current year | (2,436,573.64) | (2,233,108.72) |
| Amount paid - previous year | - | - |
| **Balance unpaid (included in creditors)** | **-** | **-** |

**25.6 Councillor's arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days:-



**30 June 2011**

| | **Total** | **Outstanding less than 90 days** | **Outstanding more than 90 days** |
|---|---|---|---|
| None | | | |
| **Total Councillor Arrear Consumer Accounts** | **-** | **-** | **-** |

**30 June 2010**

| | **Total** | **Outstanding less than 90 days** | **Outstanding more than 90 days** |
|---|---|---|---|
| None | - | - | - |
| **Total Councillor Arrear Consumer Accounts** | **-** | **-** | **-** |

**25.7 Non-compliance with chapter 11 of the MFMA**

Fully compliant

## 26. IDP PAYMENTS

| | | |
|---|---|---|
| Voter Education | 554,450.00 | - |
| Bulk Water Supply | - | 437,745.84 |
| EPWP Projects | - | 1,167,247.00 |
| Noupoort Graveyard | - | 87,390.00 |
| Project Nala | 299,850.00 | - |
| Lotto Siyathemba | 250,000.00 | - |
| Lotto Thembelihle | 249,299.81 | 350,877.19 |
| Lotto Commission | - | 87,719.30 |
| Powerlines | 209,649.12 | - |
| MIG Projects | 5,467,718.32 | 14,300,398.28 |
| O & M Water | - | 37,755.00 |
| Cleaning Project | 456,990.26 | 502,298.25 |
| School Sanitation Project | 98,458.51 | 1,911,237.53 |
| Flood Damage | - | 47,663.38 |
| Gender | 104,745.00 | 195,761.68 |
| HIV/AIDS | 53,016.32 | 27,602.38 |
| District Wide Programs | 577,089.49 | - |
| Innovative Fund | - | 467,835.46 |
| L E D | 319,324.62 | 354,902.85 |
| Tourism | 5,555.00 | - |
| Youth | 12,480.00 | 10,197.37 |
| | **8,658,626.45** | **19,986,631.51** |

This expenditure will be financed from:-

| | | |
|---|---|---|
| Grants | 8,658,626.45 | 19,986,631.51 |
| | **8,658,626.45** | **19,986,631.51** |



## 27. RETIREMENT BENEFIT INFORMATION

### 27.1 Pension Fund Contributions

The District Municipality contributes to the following post retirement funds:-
- Cape Joint Pension Fund
- Cape Joint Retirement Fund
- SAMWU Retirement Fund

These funds are subject to a triennial actuarial valuation.

### 27.2 Continued Medical Aid Contributions

The municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pay 70% as contribution and the remaining 30% are paid by the members.

## 28. CAPITAL COMMITMENTS

None

**29. RELATED PARTY TRANSACTIONS**

The Section 57 employees as well as the Councillor remuneration are included in notes 15 and 16 to the annual financial statements.

**30. CONTINGENT LIABILITY**

| | | |
|---|---|---|
| The Municipality is at this stage involved in a leagal dispute with Musscle Construction regarding the Ouboks Housing Project in Colesberg. The possible liability will be R900,878.78 (this amount is subject to interest @ 15,5% p.a.) | 339,021.69 | 900,878.78 |
| The claim of J C Blasters for the construction of civil engineering services for the Ouboks housing project in the Umsobomvu Municipal Area.<br>This claim is solved by electronic payment 6300 dated 03/03/2009. | - | 136,734.81 |
| The claim from G E van Tonder for the damages of his vehicle, registration BTL276NC.<br>This claim is not for this municipality but for the Renosterberg Municipality. | - | 81,335.47 |
| There's a possibility of legal proceedings against the Municipality as a result of the Vaal River that burst its banks during the period 26 January to 6 February 2010 causing extensive damage to properties and the accusation that the Municipality failed to establish and implement an early warning system.<br>(Santam Insurance) | 1,033,421.84 | 1,033,421.84 |
| The claim of Joseph & Van Rensburg Attorneys for work done in their special instance. They were instructed by the District Municipality on behalf of the Provincial Department to transfer the low cost houses to their owners in Brandboom. The Provincial Department has undertaken to pay the costs. | 46,400.00 | - |



**31. CONTINGENT ASSETS**

The Municipality has no contingent assets.

**32. IN-KIND DONATIONS AND ASSISTANCE**

The Municipality received no in-kind donations.

**33. FINANCIAL RISK MANAGEMENT**

The activities of the municipality exposed it to a variety of financial risks, including market risk (comprising currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(i) Foreign exchange currency risk**

The municipality does not engage in foreign currency transactions.

**(ii) Price Risk**

The Municipality is not exposed to price risk.

**(iii) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of enterest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

**(iv) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and othe receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provosions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these



debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practise this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All debtors are payable within 30 days from invoice date.

Due to the short term nature and other receivables, the carrying value disclosed in note 11 of the financial statements is an approximation of its fair value.

The entity only only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review.

**(v) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Less than 1 year | Between 1 and 5 years | Over 5 Years | Total |
|---|---|---|---|---|
| **2011** | | | | |
| Long-term Liabilities | 1,505,827.49 | 2,022,432.24 | 569,160.40 | 4,097,420.13 |
| Trade and Other Payables | 3,321,560.86 | - | - | 3,321,560.86 |
| Unspent conditional government grants and receipts | 3,481,817.50 | - | - | 3,481,817.50 |
| Cash and Cash Equivalents | - | | | - |
| | 8,309,205.85 | 2,022,432.24 | 569,160.40 | 10,900,798.49 |
| **2010** | | | | |
| Long-term Liabilities | 1,912,792.60 | 3,636,054.27 | 1,263,791.18 | 6,812,638.05 |
| Trade and Other Payables | 2,171,076.66 | - | - | 2,171,076.66 |
| Unspent conditional government grants and receipts | 12,790,989.80 | - | - | 12,790,989.80 |
| Cash and Cash Equivalents | - | | | - |
| | 16,874,859.06 | 3,636,054.27 | 1,263,791.18 | 21,774,704.51 |



**(v) Capital Management**

The primary objective of the Municipality's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to maintain a sound financial position.

No changes were made in the objectives, policies or processes during the year ended 30 June 2011.

The financial liabilities of the Municipality are backed by appropriate assets and have adequate liquid resources.

**34. EVENTS AFTER REPORTING DATE**

The Roads Department will be transferred back to the Provincial Department of Roads and Public Works from the 1 July 2011. This will lead to a decrease in income for the municipality because the administration fees for the municipality will not be available anymore.

**35. COMPARISON WITH THE BUDGET**

| | 2011 Actual | 2011 Budget | 2011 Variance | 2011 Variance |
|---|---|---|---|---|

| 35.1 Operational | R | R | R | (%) |
|---|---|---|---|---|
| **Revenue by source** | | | | |
| Administration Cost | 1,872,404.82 | 1,966,800.00 | (94,395.18) | -5 |
| Regional Services Levies | 472.64 | 22,000.00 | (21,527.36) | -98 |
| Interest earned | 770,477.13 | 605,110.00 | 165,367.13 | 27 |
| Government grants and subsidies : Dora | 32,919,587.79 | 33,840,000.00 | (920,412.21) | -3 |
| Government grants and subsidies : Other | 4,192,456.69 | 4,013,998.00 | 178,458.69 | 4 |
| Contribution : Provincial Government | 32,604,690.38 | 34,211,752.00 | (1,607,061.62) | -5 |
| Contribution : Municipalities | 1,729,953.03 | 1,725,000.00 | 4,953.03 | 0 |
| Income from Investment | 438,353.30 | 4,745,592.00 | (4,307,238.70) | -91 |
| Income Vostersdam | 3,700.00 | 1,000.00 | 2,700.00 | 270 |
| Medical Ex Gratia | 407,041.10 | 400,000.00 | 7,041.10 | 2 |
| Office Rental : Ex Gratia | 143,473.68 | 143,000.00 | 473.68 | 0 |
| Other Income | 1,408,305.67 | 1,000,360.00 | 407,945.67 | 41 |
| | 76,490,916.23 | 82,674,612.00 | (6,183,695.77) | -7 |
| **Expenditure by nature** | | | | |
| Employee related costs | 20,786,950.60 | 21,020,500.00 | (233,549.40) | -1 |
| Remuneration of Councillors | 2,869,941.19 | 3,590,000.00 | (720,058.81) | -20 |
| Repairs and maintenance | 499,248.65 | 669,000.00 | (169,751.35) | -25 |
| Provision for leave and bad debts | 158,285.49 | | | |
| Depreciation and amortisation | 1,541,349.81 | | | |
| Interest Paid | 2,064,699.57 | 570,000.00 | 1,494,699.57 | 262 |
| Contracted services | 1,427,706.21 | 1,590,000.00 | (162,293.79) | -10 |
| Ouboks Project | 33,270,230.08 | 33,000,000.00 | 270,230.08 | 1 |
| National Youth Advisory Centres | 6,506.25 | 1,100,000.00 | (1,093,493.75) | -99 |
| Infrastructure expenses | 8,658,626.45 | 9,427,650.00 | (769,023.55) | -8 |
| General expenses - other (including abnormal expenses) | 8,830,434.18 | 10,250,252.00 | (1,419,817.82) | -14 |
| | **80,113,978.48** | **81,217,402.00** | **(2,803,058.82)** | **-3** |
| Net surplus for the year | (3,623,062.25) | 1,457,210.00 | (3,380,636.95) | |

**53**

**Details of material variances**

Received less Regional Services Levies from attorney then expected
Received more income on investments then expected
Use less income from investments then expected
Received more income from Vostersdam then expected
Received more income from other sources then expected
Expenditure on the remuneration of Councillors were less then expected
Expenditure on repairs and maintenance were less then expected
Interest paid overspend due to interest on employee benefits

| 35.2 Capital Expenditure by nature | 2011 Actual R | 2011 Budget R | 2011 Variance R | 2011 Variance (%) |
|---|---|---|---|---|
| Office Equipment | 281,806.20 | 275,000.00 | 6,806.20 | 2 |
| Council Vehicles | 740,378.07 | 797,110.00 | (56,731.93) | -7 |
| | 1,022,184.27 | 1,072,110.00 | (49,925.73) | -5 |

**Details of material variances**
Price of vehicles was less then expected

### 35.3 Reconciliation of actual amounts on the comparable basis

| | Operating activities R | Financing activities R | Investing activities R | Total R |
|---|---|---|---|---|
| **Actual amount on comparable basis as presented in the budget and actual comparative statement** | (5,275,389.82) | 617,449.57 | 1,034,878.00 | (3,623,062.25) |
| Basis difference | (4,700,170.84) | (1,826,840.00) | 847,048.23 | (5,679,962.61) |
| Timing differences | - | - | - | - |
| Entity differences | - | - | - | - |
| **Actual amount in the cash flow statement** | (9,975,560.66) | (1,209,390.43) | 1,881,926.23 | (9,303,024.86) |

## 36. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

**Judgements**
The accounting policies of the Municipality are implemented and there were no judgement necessary for this financial year.

**Estimates and Assumptions**
The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the Statement of Financial Position, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are disclosed below.

**Revaluation of property, plant and equipment**
No revaluations was done except market values were calculated for assets on the asset register with R1 values



**Impairment**
Impairment will be done in conjunction with the revaluation of property, plant and equipment.

**Employee Benefits**
The cost of defined benefit pension plans and other post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about:

- discount rates
- average retirement age
- anflation rates
- average age of employees
- pre-retirement mortality
- post-retirement mortality
- continuation of membership
- average number of dependents
- average period of employment
- average of employer contributions
- future salary increases

**APPENDIX A**

**PIXLEY KA SEME DISTRICT MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

| EXTERNAL LOANS | Loan Number | Redeemable | Balance at 30/06/2010 | Received during the period | Redeemed written off during the period | Balance at 30/06/2011 | Carrying Value of Property, Plant & Equip |
|---|---|---|---|---|---|---|---|
| **LONG-TERM LOANS** | | | **R** | **R** | **R** | **R** | |
| DBSA Bank @ 9.89% | 100578 | 2012/03/31 | 1,183,318.32 | - | 651,458.43 | 531,859.89 | - |
| DBSA Bank @ 9.863% | 102850 | 2018/03/31 | 4,259,039.35 | - | 385,483.77 | 3,873,555.58 | 11,878,856.24 |
| **Total long-term loans** | | | 5,442,357.67 | - | 1,036,942.20 | 4,405,415.47 | 11,878,856.24 |
| **Finance Leases** | | | | | | | |
| Canon | | Various | 1,003,470.13 | 1,069,000.00 | 1,055,224.59 | 1,017,245.54 | 1,248,212.17 |
| BCX | | 2012/04/30 | 367,512.37 | - | 186,925.76 | 180,586.61 | 246,035.79 |
| **Total Finance Leases** | | | 1,370,982.50 | 1,069,000.00 | 1,242,150.35 | 1,197,832.15 | 1,494,247.96 |
| **TOTAL EXTERNAL LOANS** | | | 6,813,340.17 | 1,069,000.00 | 2,279,092.55 | 5,603,247.62 | 13,373,104.20 |

| Other Costs in accordance with the MFMA |
| --- |
| - |
| - |
| |
| |
| - |
| |
| - |
| |

**APPENDIX B**

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

| | Cost/Revaluation | | | | | | | | Accumulated Depreciation | | | | Carrying |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance | Residual Value Opening Balance | Additions | Residual Value Additions | Under Construction | Disposals | Residual Value Disposals | Closing Balance | Opening Balance | Additions | Disposals income | Closing Balance | Value |
| **Land and Buildings** | | | | | | | | | | | | | |
| Land | 110,200.00 | - | - | - | - | - | - | 110,200.00 | - | - | - | - | 110,200.00 |
| Buildings | 14,009,315.79 | - | - | - | - | - | - | 14,009,315.79 | 991,655.45 | 419,627.73 | - | 1,411,283.18 | 12,598,032.61 |
| | **14,119,515.79** | **-** | **-** | **-** | **-** | **-** | **-** | **14,119,515.79** | **991,655.45** | **419,627.73** | **-** | **1,411,283.18** | **12,708,232.61** |
| **Leased Assets** | | | | | | | | | | | | | |
| Leased Assets | 3,868,104.81 | - | 1,069,000.00 | - | - | 3,105,597.00 | - | 1,831,507.81 | 1,434,647.36 | 409,744.61 | 1,507,132.12 | 337,259.85 | 1,494,247.96 |
| | **3,868,104.81** | **-** | **1,069,000.00** | **-** | **-** | **3,105,597.00** | **-** | **1,831,507.81** | **1,434,647.36** | **409,744.61** | **1,507,132.12** | **337,259.85** | **1,494,247.96** |
| **Other Assets** | | | | | | | | | | | | | |
| Air Conditioner | 222,188.66 | - | - | - | - | 34,056.60 | - | 188,132.06 | 121,668.74 | 18,125.56 | 31,793.04 | 108,001.26 | 80,130.80 |
| Chairs | 321,718.80 | - | 91,149.82 | - | - | 28,005.01 | - | 384,863.61 | 61,278.75 | 55,261.37 | 17,235.71 | 99,304.41 | 285,559.20 |
| Computer Hardware | 1,329,025.51 | - | 63,503.85 | - | - | 437,776.28 | - | 954,753.08 | 638,611.76 | 150,701.69 | 375,961.29 | 413,352.16 | 541,400.92 |
| Electronic Equipment | 206,865.35 | - | - | - | - | 1,268.99 | - | 205,596.36 | 40,957.72 | 21,000.14 | 653.28 | 61,304.58 | 144,291.78 |
| Furniture & Fittings | 743,345.15 | - | 58,699.10 | - | - | 5,979.59 | - | 796,064.66 | 159,940.68 | 102,030.42 | 2,416.65 | 259,554.45 | 536,510.21 |
| Motor Vehicles | 1,067,002.10 | 356,541.80 | 728,364.87 | 182,091.22 | - | 776,126.90 | 255,900.00 | 1,301,973.09 | 499,907.26 | 140,074.12 | 405,498.96 | 234,482.42 | 1,067,490.67 |
| Office Equipment | 63,854.90 | - | 10,043.15 | - | - | 8,579.30 | - | 65,318.75 | 30,077.20 | 6,676.98 | 6,583.53 | 30,170.65 | 35,148.10 |
| Tables and Desks | 682,642.01 | - | 40,832.58 | - | - | 40,589.16 | - | 682,885.43 | 139,427.53 | 96,797.15 | 18,907.50 | 217,317.18 | 465,568.25 |
| Emergency Equipment | 98,692.93 | - | - | - | - | - | - | 98,692.93 | 30,927.68 | 8,152.89 | - | 39,080.57 | 59,612.36 |
| Compressor/Generator | 47,000.00 | - | - | - | - | - | - | 47,000.00 | 26,345.69 | 3,439.38 | - | 29,785.07 | 17,214.93 |
| Trailers | 10,890.00 | - | - | - | - | - | - | 10,890.00 | 6,268.05 | 419.86 | - | 6,687.91 | 4,202.09 |
| Trucks | 465,980.86 | 233,050.00 | - | - | - | 55,148.69 | 21,650.00 | 622,232.17 | 235,097.75 | 43,069.01 | 45,536.99 | 232,629.77 | 389,602.40 |
| Works Equipment | 140.00 | - | - | - | - | - | - | 140.00 | 34.93 | 17.49 | - | 52.42 | 87.58 |
| | - | - | - | - | - | - | - | - | - | - | | - | - |
| **PPE** | **5,259,346.27** | **589,591.80** | **992,593.37** | **182,091.22** | **-** | **1,387,530.52** | **277,550.00** | **5,358,542.14** | **1,990,543.74** | **645,766.06** | **904,586.95** | **1,731,722.85** | **3,626,819.29** |
| **Intangible Assets** | | | | | | | | | | | | | |
| Computer Software | 509,388.38 | - | 21,136.74 | - | - | 32,294.72 | - | 498,230.40 | 153,572.18 | 60,287.57 | 19,401.35 | 194,458.40 | 303,772.00 |
| | 509,388.38 | - | 21,136.74 | - | - | 32,294.72 | - | 498,230.40 | 153,572.18 | 60,287.57 | 19,401.35 | 194,458.40 | 303,772.00 |
| **Investment Property** | | | | | | | | | | | | | |
| Investment Property | 623,850.00 | - | - | - | - | - | - | 623,850.00 | 284,551.59 | 10,937.38 | - | 295,488.97 | 328,361.03 |
| | **623,850.00** | **-** | **-** | **-** | **-** | **-** | **-** | **623,850.00** | **284,551.59** | **10,937.38** | **-** | **295,488.97** | **328,361.03** |
| | | | | | | | | | | | | | |
| **Total carried forward** | 24,380,205.25 | 589,591.80 | 2,082,730.11 | 182,091.22 | - | 4,525,422.24 | 277,550.00 | 22,431,646.14 | 4,854,970.32 | 1,546,363.35 | 2,431,120.42 | 3,970,213.25 | 18,461,432.89 |

* Includes correction of error referred to in Note 20

**APPENDIX C**

**PIXLEY KA SEME DISTRICT MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**
**30 JUNE 2011**

| | Cost | | | | | | | | Accumulated Depreciation | | | | Carrying Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance | Residual Value Opening Balance | Additions | Residual Value Additions | Under Construction | Disposals | Residual Value Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | |
| Budget and Treasury | 24,380,205.25 | 589,591.80 | 2,082,730.11 | 182,091.22 | - | 4,525,422.24 | 277,550.00 | 22,431,646.14 | 4,854,970.32 | 1,546,363.35 | 2,431,120.42 | 3,970,213.25 | 18,461,432.89 |
| **TOTAL** | 24,380,205.25 | 589,591.80 | 2,082,730.11 | 182,091.22 | - | 4,525,422.24 | 277,550.00 | 22,431,646.14 | 4,854,970.32 | 1,546,363.35 | 2,431,120.42 | 3,970,213.25 | 18,461,432.89 |

| | Cost | | | | | | | | Accumulated Depreciation | | | | Carrying Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance | Residual Value Opening Balance | Additions | Residual Value Additions | Under Construction | Disposals | Residual Value Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | |
| DM Vote | 24,380,205.25 | 589,591.80 | 2,082,730.11 | 182,091.22 | - | 4,525,422.24 | 277,550.00 | 22,431,646.14 | 4,854,970.32 | 1,546,363.35 | 2,431,120.42 | 3,970,213.25 | 18,461,432.89 |
| **TOTAL** | 24,380,205.25 | 589,591.80 | 2,082,730.11 | 182,091.22 | - | 4,525,422.24 | 277,550.00 | 22,431,646.14 | 4,854,970.32 | 1,546,363.35 | 2,431,120.42 | 3,970,213.25 | 18,461,432.89 |

**APPENDIX D**

**PIXLEY KA SEME DISTRICT MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30 JUNE 2011**

| 2010 Actual Income R | 2010 Actual Expenditure R | 2010 Surplus/ (Deficit) R | | 2011 Actual Income R | 2011 Actual Expenditure R | 2011 Surplus/ (Deficit) R |
|---|---|---|---|---|---|---|
| 140,933.84 | 4,760,553.64 | -4,619,619.80 | Administration | 153,386.09 | 6,312,629.48 | -6,159,243.39 |
| 19,110,171.83 | 11,841,670.91 | 7,268,500.92 | Finance | 21,068,183.45 | 10,569,106.48 | 10,499,076.97 |
| 1,280,796.84 | 2,330,120.92 | -1,049,324.08 | Development and Infrastructure | 1,334,957.68 | 2,430,547.83 | -1,095,590.15 |
| 3,971.63 | 1,186,101.11 | -1,182,129.48 | Environmental Health | - | 1,185,191.25 | -1,185,191.25 |
| 1,500,000.00 | 1,274,699.17 | 225,300.83 | Housing | 1,699,999.28 | 1,763,622.35 | -63,623.07 |
| 808,981.65 | 2,543,485.84 | -1,734,504.19 | Internal Audit | 844,803.60 | 2,453,095.68 | -1,608,292.08 |
| 1,687,503.22 | 7,088,608.36 | -5,401,105.14 | Council Expenses | 1,132,117.17 | 6,153,192.48 | -5,021,075.31 |
| 14,375.06 | 2,274,388.54 | -2,260,013.48 | Municipal Manager | 13,087.57 | 3,079,627.54 | -3,066,539.97 |
| 25,584,487.19 | 20,576,075.64 | 5,008,411.55 | I D P | 15,622,619.59 | 9,151,502.23 | 6,471,117.36 |
| 1,045,205.43 | 2,150,453.58 | -1,105,248.15 | Protection Services | 1,216,877.49 | 2,356,183.00 | -1,139,305.51 |
| 1,718,505.83 | 2,414,063.00 | -695,557.17 | Shared Services | 1,800,093.24 | 1,333,904.78 | 466,188.46 |
| 52,894,932.52 | 58,440,220.71 | -5,545,288.19 | **Sub Total** | 44,886,125.16 | 46,788,603.10 | -1,902,477.94 |
| | - | - | Loss on disposal of Property, Plant and Equipment | | 268,490.63 | -268,490.63 |
| - | | - | Gain on disposal of Property, Plant and Equipment | 22,118.69 | | 22,118.69 |
| **52,894,932.52** | **58,440,220.71** | **-5,545,288.19** | **Total** | **44,908,243.85** | **47,057,093.73** | **-2,148,849.88** |

**APPENDIX E(1)**

**PIXLEY KA DISTRICT MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR**

| | 2011 Actual | 2011 Budget | 2011 Variance | 2011 Variance |
|---|---|---|---|---|
| **REVENUE** | **R** | **R** | **R** | **%** |
| Administration Cost | 1,872,404.82 | 1,966,800.00 | (94,395.18) | -5 |
| Regional Services Levies | 472.64 | 22,000.00 | (21,527.36) | -98 |
| Interest earned | 770,477.13 | 605,110.00 | 165,367.13 | 27 |
| Government grants and subsidies : Dora | 32,919,587.79 | 33,840,000.00 | (920,412.21) | -3 |
| Government grants and subsidies : Other | 4,192,456.69 | 4,013,998.00 | 178,458.69 | 4 |
| Contribution : Provincial Government | 1,183,896.61 | 34,211,752.00 | (33,027,855.39) | -97 |
| Contribution : Municipalities | 1,729,953.03 | 1,725,000.00 | 4,953.03 | 0 |
| Income from Investment | 438,353.30 | 4,745,592.00 | (4,307,238.70) | -91 |
| Income Vostersdam | 3,700.00 | 1,000.00 | 2,700.00 | 270 |
| Medical Ex Gratia | 407,041.10 | 400,000.00 | 7,041.10 | 2 |
| Office Rental : External | 143,473.68 | 143,000.00 | 473.68 | 0 |
| Other income | 1,224,308.37 | 1,000,360.00 | 223,948.37 | 22 |
| **Total Revenue** | **44,886,125.16** | **82,674,612.00** | **(37,788,486.84)** | **-46** |
| **EXPENDITURE** | | | | |
| Employee related costs | 19,708,998.08 | 21,020,500.00 | (1,311,501.92) | -6 |
| Remuneration of Councillors | 2,809,782.35 | 3,590,000.00 | (780,217.65) | -22 |
| Repairs and maintenance | 499,248.65 | 669,000.00 | (169,751.35) | -25 |
| Interest Paid | 2,064,699.57 | 570,000.00 | 1,494,699.57 | 262 |
| Contracted services | 1,427,706.21 | 1,590,000.00 | (162,293.79) | -10 |
| Ouboks Project | - | - | - | #DIV/0! |
| National Youth Advisory Centres | 1,077,952.52 | 1,100,000.00 | (22,047.48) | -2 |
| Infrastructure expenses | 8,658,626.45 | 9,427,650.00 | (769,023.55) | -8 |
| General expenses - other (including abnormal expenses) | 10,541,589.27 | 10,250,252.00 | 291,337.27 | 3 |
| **Total Expenditure** | **46,788,603.10** | **48,217,402.00** | **(1,428,798.90)** | **-3** |
| **NET SURPLUS/(DEFICIT) FOR THE YEAR** | **(1,902,477.94)** | **34,457,210.00** | **(36,359,687.94)** | |

**R THE YEAR ENDED 30 JUNE 2011**

| Explanation of Significant Variances greater than 10% versus Budget |
| --- |
| Received less income from the attorney then expected<br>Received more income on investments then expected |
| Use less income from investments then expected<br>Received more income then expected |
| Received more income from other sources then expected |
| Expenses were less then expected<br>Expenses were less then expected<br>Interest on Non-current Employee Benefits |

**APPENDIX E(2)**

**PIXLEY KA SEME DISTRICT MUNICIPALITY : ACTUAL VERSUS BUDGET FOR THE YEAR E**

| | 2011 Actual R | 2011 Under Construction R | 2011 Total Additions R | 2011 Budget R | 2011 Variance R | 2011 Variance % |
|---|---|---|---|---|---|---|
| Land and Buildings | - | - | - | - | - | - |
| Office Equipment | 281,806.20 | - | 281,806.20 | 275,000.00 | 6,806.20 | 2 |
| Council Vehicles | 740,378.07 | - | 740,378.07 | 797,110.00 | (56,731.93) | -7 |
| **Total** | **1,022,184.27** | **-** | **1,022,184.27** | **1,072,110.00** | **(49,925.73)** | **-5** |

ENDED 30 JUNE 2011

| Explanation of Significant Variances greater than 5% versus Budget |
| --- |
| Price of vehicles was less then expected |

**ROADWORKS**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011**

| | Note | 2011<br>R | 2010<br>R |
|---|---|---|---|
| **NET ASSETS AND LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Unspend conditional grants and receipts | 1 | 34,181.95 | 34,124.83 |
| | | 34,181.95 | 34,124.83 |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Call investment deposits | 2 | 34,181.95 | 34,124.83 |
| | | 34,181.95 | 34,124.83 |

**ROADWORKS**

**STATEMENT OF FINANCIAL PERFORMANCE**
**FOR THE YEAR ENDED 30 JUNE 2011**

| | Note | Actual 2011 R | Actual 2010 R |
|---|---|---|---|
| **REVENUE** | | | |
| Grants and Subsidies | | 17,262,132.13 | 16,859,761.48 |
| Agency Cost | | 1,872,404.82 | 1,478,926.43 |
| Regravelling | | 264,821.75 | 116,842.11 |
| Hiring of Equipment/Implements | | 3,858,998.87 | 3,757,335.33 |
| Telephone Income | | - | 1,168.42 |
| **Total Revenue** | | **23,258,357.57** | **22,214,033.77** |
| **EXPENDITURE** | | | |
| Repairs and Maintenance : General | | 6,793,944.09 | 7,221,943.15 |
| Repairs and Maintenance : Paving | | 264,821.75 | 116,842.11 |
| Minor Roads | | 354,910.51 | 536,340.99 |
| Unproductive Cost | | 1,886,018.46 | 2,543,582.15 |
| Road Signs | | 73,934.77 | 78,553.44 |
| Overhead Cost | | 6,701,954.88 | 3,965,260.06 |
| Mechanical Account | | 4,524,900.11 | 5,016,128.36 |
| Overhead Account | | 61,875.63 | 136,976.73 |
| Administration Cost | | 1,872,404.82 | 1,478,926.43 |
| **Total Expenditure** | | 22,534,765.02 | 21,094,553.42 |
| **NET SURPLUS/(DEFICIT) FOR THE YEAR** | | 723,592.55 | 1,119,480.35 |

# ROADWORKS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

| | | 2011<br>R | 2010<br>R |
|---|---|---|---|
| **1.** | **UNSPEND CONDITIONAL GRANTS AND RECEIPTS** | | |
| | **Conditional Grants from other spheres of Government** | **34,181.95** | **34,124.83** |
| | Grant : Britstown/Vosburg Road | 34,181.95 | 34,124.83 |
| | **Total Conditional Grants and Receipts** | **34,181.95** | **34,124.83** |
| **2.** | **CALL INVESTMENT DEPOSITS** | | |
| | Britstown/Vosburg Road | 34,181.95 | 34,124.83 |

**CERTIFICATE OF INVENTORY AND ASSETS**

This is to certify that a stock take, according to Article 63 of the MFMA no 63 of the MFMA no 56 of 2003, was done of all the assets and inventory of the municipality for the 2010/2011 financial year.

1. The municipality no longer keeps any inventory. Inventory items are purchased when needed.

2. The value of the assets of the municipality is R22 258 009.08.

3. The municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality.

4. The municipality's assets are valued in accordance with the standards of generally recognised accounting practice.

5. The municipality has and maintains a system of internal control of assets, including an asset register.

**B F JAMES** 30/06/2011

**FINANCIAL MANAGER** **Date**